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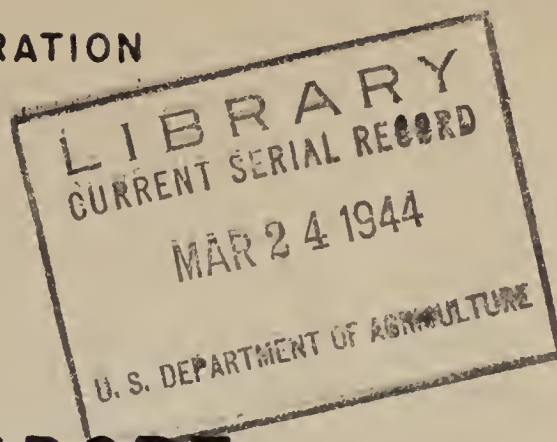
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UNITED STATES DEPARTMENT OF AGRICULTURE

WAR FOOD ADMINISTRATION

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THE ANNUAL REPORT

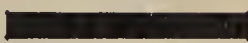
OF THE

FARM SECURITY ADMINISTRATION

1942-3

PURPOSES FOR WHICH FSA FUNDS WERE SPENT
FOR THE FISCAL YEAR ENDING JUNE 30, 1943
(SEE PAGES 7, 8 AND 9)

RURAL REHABILITATION - 78.45% 

FARM OWNERSHIP - 19.14% 

FARM LABOR SUPPLY CENTERS - .83% 

WATER FACILITIES - .60% 

TENURE IMPROVEMENT AND DEBT ADJUSTMENT - .54% 

RESETTLEMENT PROJECTS - .29% 

WATER CONSERVATION AND UTILIZATION - .15% 

1942-43 ANNUAL REPORT

For the Farm Security Administration, the fiscal year ending in 1943 was a year of appraisal and accomplishment. The farm families it served substantially increased their production of foods and fibers needed for war and in doing so made greater strides in gaining economic independence for themselves. At the same time the Farm Security Administration underwent intensive re-examination to determine the need for its work in terms of a war economy and the future scope of its activities.

An adequate report on the agency's development during the fiscal year requires (1) an accounting of the discussion and action which grew out of the appraisal of its work, and (2) a report on its program activities and progress.

SUMMARY OF THE APPRAISAL OF FSA WORK

With the outbreak of war the question immediately was raised as to whether the small farmer group, which the Farm Security Administration serves, could contribute substantially to war requirements. As the war program developed in 1942, food became one of its major weapons. The nation of surpluses became the chief nation of supply. Fast as our food production rose, demand rose even faster.

Before the war 50 percent of the farmers had produced 89 percent of our commercial production. This 50 percent was looked to first to supply more food. The other 50 percent, those who had produced so little before, were counted out by some insofar as any material contribution to our food needs was concerned.

From its experience, however, the Farm Security Administration felt that these underproductive farmers, if given the opportunity to do so, could produce much more than they had before and thereby provide an essential new source of supply. A large number of them, with Farm Security credit and supervision, had already increased their production considerably, largely to meet their own needs. They were still, however, not fully employed and their farms by no means were producing to capacity.

The war removed many of the barriers that had kept small farmers from producing more efficiently. Good land now needed tenants instead of tenants needing land. Markets were seeking food to meet new demands instead of food seeking markets for an outlet. Larger operators were already close to efficient production levels and, faced with labor and machinery difficulties, could not expand production indefinitely. The small farmer in most cases had no critical labor problem.

Production Accomplishments by FSA Families

As soon as the war broke out, the Farm Security Administration had reviewed its policies and aimed them toward maximum food increases on the smaller farms. This policy was strengthened as the war progressed. Food production had always been one of the major objectives of the program. Now it became the prime immediate objective. Loans were made where they were most needed in terms of the food that could be produced. Those unable to make a substantial contribution on the farms they operated were encouraged to find better opportunities.

Plans calling for the greatest practicable increases per farm in commodities most needed in the war program were made in the spring of 1942 by more than 450,000 borrowers. Most of these goals were achieved. A survey at the end of the year showed that the families made average increases ranging from 20 to more than 100 percent of their preceding year's production. These families, constituting less than eight percent of all farm families, accounted for more than one-third of the Nation's total increase in milk production. Other increases were also substantial, as shown in the tabulated production results in the Table on page 12.

A second development in attitude resulting from the scrutiny of the FSA program the past year, was general acceptance of the main part of FSA's work as important to the welfare of the Nation and American agriculture. Wide approval was given to the type of assistance represented by the rehabilitation and tenant purchase loan programs in aiding individual farm families to improve their living and become independent.

The Farm Security Administration program developed originally out of rural relief. For many years, during depression and drought, FSA continued to expend sizeable amounts in grants to

relieve acute distress. The main objective, however, was to get these farm families off relief, and back in a position to support themselves. To do this meant helping the families to overcome obstacles that had existed long before the depression. These obstacles included insecure tenure, lack of credit, one-crop farming, poor health, destructive soil practices, and lack of managerial and technical farming skill. The method of overcoming these obstacles consisted of loans to supply the needed credit and of supervision to assist the families in using the credit effectively in order to improve their income and living and to repay the government. This process was called rehabilitation. Added to this was the tenant purchase loan program to enable selected tenants and farm workers to buy farms of their own.

Rehabilitation and family farm ownership became the dominant features of Farm Security work. Grants were still needed over a period of years, but the relief aspect has become a relatively insignificant part of the program and grants are used only for special needs and unusual emergencies such as floods and drouths.

Grants have declined nearly 90 percent in the last three years, as noted later in this report. For the year ending June 30, 1943, grant payments totalled \$1,724,804 compared to total rehabilitation and tenant purchase loans of \$128,525,544.

The acceptance given to the rehabilitation process, which was forged into a food production tool when the war began, was a recognition that the problems of the family farm in America were not born with the depression, and did not end with general economic recovery. Studies made in the Department of Agriculture estimate that about 2,500,000 farm families are underemployed, many of them earning too little for an adequate living. After allowing for those who are part-time farmers, those who are too old to do more, and those who probably can get credit elsewhere, there are still about 750,000 who could make substantial production increases and make a better living, but to do so would need assistance similar to that provided by the Farm Security Administration.

Points of Criticism on FSA

Not all the activities carried on since the program was initiated under the Resettlement Administration in 1935, however,

received the approval accorded to the rehabilitation and tenant purchase programs. In March, 1943, the House of Representatives authorized appointment of a select committee from its Agriculture Committee to investigate the Farm Security Administration. This committee was headed by Congressman Harold D. Cooley, of North Carolina, and included the following members: Congressmen John W. Flannagan, Jr. (Virginia), Stephen Pace (Georgia), Orville Zimmerman (Missouri), Clifford R. Hope (Kansas), Ross Risley (Oklahoma), and Anton J. Johnson (Illinois). Hearings began in May and were still in progress at the close of the fiscal year.

One point of controversy lay in the fact that the rehabilitation loan program lacked statutory authority from Congress. Originally carried on as part of the work relief program, and authorized by Executive Order, the rehabilitation operations were continued year by year under authority contained in the annual appropriation acts made for this purpose. Chairman Cooley's committee, accordingly, was looked to for recommendations on basic legislation to provide for such of these activities as Congress felt should be continued. The tenant purchase program had such basic legislation in the Bankhead-Jones Farm Tenant Act, passed in 1937.

The severest criticism of the Farm Security Administration was leveled at the rural resettlement projects. Nearly all of these projects had been inherited from the Resettlement Administration and other earlier agencies, and mainly were efforts to rehabilitate families on a community basis.

Many different types of developments were tried out. Built as work relief projects, they were costly and most of them were not expected to repay from earned income the original investment. Developed as experiments, some of them proved unsound and failed of their objective. Some were definitely successful and many achieved varying degrees of success. Especially criticized were the cooperative farms, involving in all about 440 families. There were 15 projects on which part or all of the land was farmed by a number of families working together and dividing income according to the work performed in an effort to attain the efficiency and economies of large-scale farming. These projects some critics regarded as alien to the American agricultural tradition.

While approval was expressed of assistance offered by the Farm Security Administration to the individual farm family, the projects patterned on a community base lacked popular acceptance.

The Congress ordered the Farm Security Administration to dispose of these projects as expeditiously as possible and included in the appropriations act, restrictions precluding loans for land purchases.

Accordingly, the Farm Security Administration speeded up the sale of these projects. By June 30, 1943, 4,647 farm units had been sold. This was more than half of those remaining under FSA management after all nonfarm projects had been transferred to the National Housing Agency in accordance with Executive Order of February, 1942. The Cooley Committee was informed by the Administrator that not more than 1500 units would be unsold by the end of the fiscal year, 1944.

Criticism also was directed at various administrative phases of the Farm Security Administration, chief of which was the charge that its costs were too high and its personnel too large. After the war began, direct appropriations for the Farm Security Administration were reduced from \$64,000,000 in the fiscal year ending in 1942 to \$42,500,000 in 1943, and to \$20,000,000 to \$29,600,000 proposed by House and Senate respectively for 1944. In terms of personnel this has meant a reduction from 17,000 in 1942 to 14,000 in 1943 and with about 6,000 to 10,000 in prospect for 1944.

One of the principal charges made before various committees was that it costs Farm Security one dollar to lend two dollars to a farmer. This charge was analyzed and found to be completely unfounded. To arrive at such a figure, costs were charged up to the loan program which had no connection whatever with it. A study of Farm Security costs presented to the Congress showed that for the fiscal year 1942-3, administration amounted to .74 percent of the total assets and obligations administered, and administration plus servicing and supervision of loans totaled 4.32 percent of the assets and obligations administered.

The cost of servicing FSA loans accountably is higher than that for handling regular commercial loans. The effective use of Farm Security loans as well as their eventual repayment to the government depends on practical supervision. Assistance in planning a sound farm and home operation and carrying it out successfully is necessary if the families are to improve their earnings and increase their ability to produce. Furthermore, Farm Security loans are made only to families unable to get adequate credit at reasonable

terms elsewhere. They are 100 percent loans, usually only partially secured by tangible property. Their primary security lies in the ability of the family, with assistance, to do better than formerly. Before the war it was estimated that repayments on rehabilitation loans would eventually amount to about 80 percent. Since the war, however, with these families participating in war markets and better prices, repayments have greatly increased, and on June 30, 1943, total repayments on principal amounted to 93.3 percent of maturities.

Proposals have also been made to combine Farm Security's credit functions with those of the Farm Credit Administration and have Extension Service provide supervision through its county agents. The House Appropriations Committee in the spring of 1943 proposed such a step in submitting its bill, but the proposal was stricken out on a point of order.

Proponents of the idea claim that dividing the work and placing it with other agencies would be economical. Opponents of the idea, however, maintain that the cooperative type credit provided by the Farm Credit Administration and based on tangible security, should not be mixed with the high-risk FSA type of credit based on family security, and that to separate credit from supervision would remove the loan from the very base on which it stands. They say also that the educational aid that the Extension Service provides to all farmers differs fundamentally from the intensive, direct supervision aimed at low-income problems that FSA borrowers need.

Criticism also was directed at the farm labor program administered by Farm Security during part of the year. This activity was unrelated to the loan program and was undertaken as an emergency war assignment. As harvest season neared in 1942, the Department of Agriculture and the War Manpower Commission set up a farm labor supply program to import foreign workers and to move domestic workers from surplus to shortage areas to meet harvest needs. Conditions as to minimum wages and housing required by international agreements for foreign workers were also applied to government-transported domestic workers under the Department's and the Manpower Commission's policy.

The Farm Security Administration was designated to administer the program because of its experience in handling migratory labor. In some areas employers vigorously protested against enforcement of the minimum standards for domestic workers. In April, 1943, the Congress passed Public Law 45 providing regular funds for supplying farm labor and prohibiting minimum wage and housing requirements for domestic workers. The intra-state functions were assigned to the Extension Service and the foreign and interstate phases to the War Food Administration, which set up the Office of Labor for this

purpose. An account of the period during which Farm Security administered the program appears later in this report.

What the FSA Program Consists of

The discussion attending the agency's activities during the year clearly revealed that the Farm Security Administration means many things to many people. Some were familiar only with its projects, some with its migrant camps, some with its tenant purchase program. Comparatively few had a broad understanding of the relationship of its different phases. As already explained, the rehabilitation loan program is by far the largest phase of Farm Security's work and at the present time, the next largest is the farm ownership (also known as the tenant purchase) program.

Since the program began in 1935 under the Resettlement Administration nearly three-fifths of the families assisted received rural rehabilitation loans to enable them to improve their living and capacity to produce. Most of the rest received grants, the bulk of these being made during the years of depression and drought in the 1930's.

Types of assistance furnished to nearly 1,600,000 families since the start of the program are given in the following breakdown:

Families Aided by Types of FSA Activity, Cumulative, 1935-43

	<u>No. of Families</u>	<u>Percentage of total</u>
Rural rehabilitation loans* (not including loans made to Farm Ownership, Project and Water Facility Borrowers)	907,352	57.3
Relief Grants Only (est.)	620,000	39.2
Farm Ownership Loans	33,559	2.1
Project family units (approx. total)	15,000	1.0
Water Facilities	5,829	.4
	<hr/>	<hr/>
Total (est.)	1,581,740	100.0

*Does not include loans made by state rehabilitation corporations and administered in trust by FSA.

Number of families assisted in other ways, most of them included in classifications listed above:

Tenure improvement-- number of written leases	206,332
Debts adjusted	187,372
Members of medical care groups	101,098
Community and group services, number of participants	197,600

Migratory camps at their full development served about 60,000 families per year, providing shelter, sanitation facilities, medical care, and recreation.

During the fiscal year 1942-43, rural rehabilitation (including less than \$2,000,000 in grants) represented nearly four-fifths of the program in terms of total expenditures, and farm ownership loans represented nearly one-fifth.

On the cover of this report appears a graphic representation of the expenditure of the year's funds by types of activity. This analysis, in tabular form, is as follows:

Use of FSA Funds by Type of Activity
for Fiscal Year Ending June 30, 1943

	<u>Dollars</u>	<u>Percent</u>
Rural Rehabilitation, loans, grants, expenses	\$132,845,831	78.45
Farm Ownership, loans and expenses	32,407,873	19.14
Migratory Camps*	1,400,000	.83
Water Facilities, loans, grants and expenses	1,018,940	.60
Tenure Improvement and debt adjustment	906,500	.54

*Migratory camps transferred on loan to the Office of Labor, War Food Administration, at the end of the fiscal year.

	<u>Dollars</u>	<u>Percent</u>
Resettlement and RR projects	\$ 493,066	.29
Water Conservation and Utilization	262,254	.15
	<hr/>	<hr/>
	\$169,353,464	100.00

FSA PROGRAM ACTIVITIES AND PROGRESS

Rehabilitation Loans and Collections

The rehabilitation loan program during the fiscal year 1943 was directed toward helping small farmers increase production of needed foods. Pressure of war needs and opening opportunities resulting from the movement of farm manpower into military service and industrial work, brought a heavily increased demand for loans from small operators and tenants to enlarge their operations, to move to more productive land, and to undertake new farm enterprises for war purposes. Farm Security's operating loan funds were virtually exhausted by April 1, 1943.

The two most noteworthy results of the rehabilitation program were the large increases borrowers achieved in food crops and the greatly increased repayments they made out of their improved incomes resulting from larger production for commercial markets and better prices for farm products.

During the year original loans were made to 51,015 families for purchase of livestock, equipment, and other farming essentials. These original loans averaged \$703, larger than the previous average because of the greater production opportunities that were open and the higher prices for goods and equipment the borrowers needed. In addition, 198,705 supplemental loans, averaging \$284, were made to families already on the program who were in a position to expand their operations still further.

A total of \$97,255,090 was advanced in loans during the year from federal rehabilitation loan funds. On June 30, 1943, 489,552 families were active rehabilitation loan borrowers on the program. Not including the families aided from state rehabilitation corporation trust funds which were set up prior to the Federal program.

a total of 949,552 families had received rehabilitation loan assistance since the beginning of the program in 1935.

The amount of these loans from the beginning totaled \$778,522,696. Of this amount, \$404,327,655 had matured, and \$377,133,885, or 93.3 percent of the maturities, had been repaid on principal. In addition, \$49,085,380 had been paid in interest. More than 210,000 had paid out their loans in full. The remainder of the families no longer active on the program were either being serviced for collection only or represented cases that were dropped because of death, failure, or other cause and in which loan recovery was partial. Delinquencies and probable losses on all loans made from federal rehabilitation loan funds are included in the repayment figure above.

Collections during the fiscal year 1943 were greater than in any previous year. Payments on principal were about 40 percent greater than in 1942-43, the previous record year. Principal and interest collections totaled \$128,720,776, compared with the total of \$97,255,090 in loans advanced in the same year. The increase in total repayments by FSA borrowers is shown in the following table:

	<u>Principal Repayments</u>	<u>Interest Payments</u>
1940-41	\$ 51,220,014	\$11,155,901
1941-42	81,403,546	13,460,341
1942-43	114,765,976	13,954,800

As a result of the increased repayments, the Farm Security Administration repaid to the Reconstruction Finance Corporation, from which its rehabilitation loan funds are borrowed, all outstanding debts for previous years and all but \$65,273,245 on the current fiscal year's advances. From July 1, 1940, when RFC funds were first used for rehabilitation loans, through June 30, 1943, the FSA had borrowed a total of \$332,315,000 and had repaid \$267,041,755 in principal and \$4,717,274 in interest. The balance is secured by borrowers' notes totaling approximately \$400,000,000, a ratio of more than 6 to 1.

Food Production in 1942

At the end of the crop year in 1942 a survey was conducted to ascertain the extent to which FSA borrowers had been able to increase

production in nine major war-needed commodities. The survey was based on a six percent sample of the 463,941 actively supervised families, including those who were buying farms with FSA loans as well as those who had operating loans only. The methods used in making the survey were checked and approved by the Bureau of Agricultural Economics.

The survey showed that these families increased their production proportionately more than did the average farmer in the country and that they contributed more than their proportionate share of the increases in seven of the nine commodities.

These borrowers increased their own production of war-needed commodities from 20 to 101 percent in 1942 over 1941. Increases by all farmers ranged from 3 to 98 percent. FSA borrowers, constituting 7.6 percent of all farmers, accounted for 38 percent of the total increase in milk production in the Nation during 1942, 17 percent of the increase in dry beans, 11 percent of the beef increase, 10 percent of the peanut increase, 9 percent of the increase in eggs and chickens, 5 percent of the increase in pork, 8 percent of the increase in sugar beets, and 3 percent of the increase in soybeans.

The results of this survey are given in the Table on the following page.

The increased production that came from the farms of FSA borrowers was reflected not only in higher incomes and larger payments on their loans, but also in better standards of living and in a larger inventory of livestock, farming equipment, and supplies of feed stocks. By the end of 1942 the average net worth of FSA rehabilitation borrowers, or the value of what they owned over what they owed, had increased 130 percent during the time they had been on the program. The actual net worth of the families averaged \$871 before getting FSA help, compared with \$2,008 in 1942. In 1942, FSA families produced \$326 worth of food for home use, about the same as the value of food they produced for home use in 1941, but exactly double the \$163 worth the average family produced before receiving FSA assistance.

Several factors contributed to the borrower's success in increasing food production. The unlimited demand for food and fiber gave many of them their first real chance to produce for the commercial market. With the supervision furnished them by FSA

1942 Production Increases in Essential
Crops by All Farmers and by FSA Borrowers

Product	Unit	Amount Increase 1941 to 1942		Percentage Increase 1941 to 1942		Percentage of all increase contributed by FSA borrowers
		All farmers <u>1/</u>	FSA Borrowers	All Farmers	FSA Borrowers	
Milk	Gal.	435,000,000	165,000,000	3	20	38
Eggs	Doz.	537,333,000	49,800,000	15	31	9
Chickens	Lb. <u>2/</u>	429,308,000 <u>3/</u>	37,100,000	14	36	9
Pork	Lb. <u>2/</u>	3,617,940,000	192,400,000	21	36	5
Beef	Lb. <u>2/</u>	1,141,860,000	124,300,000	7	38	11
Dry Beans	Lb.	110,500,000	19,122,000	6	29	17
Sugar Beets	Ton	1,332,000	105,000	13	23	8
Soybeans	Bu.	104,000,000	3,185,000	98	101	3
Peanuts	Lb.	1,028,000,000	101,700,000	70	88	10

Total number of all farmers	6,097,000
Number of actively supervised FSA borrowers producing in 1942 . . .	463,941
Proportion of all farmers who were actively supervised FSA borrowers	7.6%

1/ Latest published estimates by Bureau of Agricultural Economics, as of May 10, 1943

2/ Liveweight

3/ Increases in farm production and commercial broiler production

county supervisors, they added new crops, obtained additional or better land, learned more efficient methods of production, bought or produced more stock and poultry, and in many instances shared the use of equipment. Most of them had not been using the available family labor fully, and were therefore able to take on the work of greater production without the need for additional manpower.

Decline of Grant Program

Grant payments to meet emergency and special needs of farm families dropped to \$1,724,804 in 1942-43. This compares to a total of \$152,545,662 in grants made to 1,114,550 families in the last eight years. The tapering off of the need for emergency grants is shown in the following comparison of grants for the last three years:

<u>Grant Payments by FSA</u>	
<u>Fiscal Year</u>	<u>Amount</u>
1940-41:	\$17,344,461
1941-42:	13,218,780
1942-43:	1,724,804

The major emergency that called for grant assistance as well as loans was caused by the disastrous floods that covered farm lands of many Midwestern and Southern counties late in the spring of 1943. Funds were transferred to the flooded States from the few regions which had remaining allotments. A total of \$235,000 was made available for grants and about \$780,000 for loans to flood sufferers in Indiana, Illinois, Missouri, Arkansas, Oklahoma, Kansas, and Ohio.

As the fiscal year ended, the Congress had under consideration a proposal for a special fund of \$15,000,000 for loans to aid in restoring the farm production facilities of these flood-damaged farms.

Farm Ownership Loans

With funds authorized to carry out the provisions of the Bankhead-Jones Farm Tenant Act, the Farm Security Administration had loaned, on June 30, 1943, a total of \$191,487,749 to 33,559 selected farm tenants, farm laborers and sharecroppers to purchase farms of their own. Of these borrowers, 5,144 obtained their loans and bought their farms during the past fiscal year, having been chosen by the county

committees from among the 110,113 families on the list of currently eligible applicants. The average farm purchased was 129 acres. Loan advances in 1942-43 totaled \$31,270,454.

Of the funds loaned in all years of the program, 98.4 percent of the \$18,807,447 matured in principal and interest had been repaid by June 30. Including unapplied collections and extra receipts from refunds and proceeds from sales of timber and mineral rights, however, \$24,496,036 had been collected.

Instead of making loan repayments in equal annual installments over a period of 40 years, 77 percent of the borrowers used the variable payment plan, which provides for smaller-than-average payments in adverse years and larger-than-average payments in good years. The \$18,807,447 of maturities included the larger amounts billed to borrowers using this plan.

If all repayments had been based on a fixed payment plan, the amount due would have totaled about \$15,000,000. In other words, the principal repayments made by these borrowers amounted to 26 percent more than they would have had to pay on the basis of equal yearly installments over the 40-year period. In 1942 alone, borrowers paid the equivalent of a year and a half's installments, and some 2,000 of them paid \$1,000 or more out of their agricultural income during the year. By getting ahead of schedule, they have provided themselves a margin of safety for later years, in the event their farm incomes decrease.

Although they have 40 years to repay their loans, and the program has been in operation only six years, 64 borrowers by February, 1943, had paid out in full, some from earned farm income alone, some with the aid of proceeds from sales of timber and mineral rights. Another 123 borrowers paid out with money received from the sale of their farms, most of which were taken over by the Government for military purposes.

The average tenant purchase loan for all years of the program is \$5,721. Each loan is large enough to cover the cost of repairing existing farm buildings or putting up new ones. During the war, however, building is restricted to improvements essential for increased food production, and all other construction is postponed.

Today the families who have benefited from the Bankhead-Jones Farm Tenant Act rank among the most efficient family-farm producers.

Complete farming set-ups, with enough land and equipment to employ family labor, enable them to reach full production of livestock, poultry and other war crops.

Cooperatives

Nearly 16,000 small farmers turned to the FSA during the year for help in getting, through group services, the use of such equipment as farm machinery or purebred sires which they could not afford to own alone, or which they could not obtain for their individual family-type operations under wartime rationing. The Farm Security Administration assisted these farmers, less than half of whom were FSA borrowers, to organize 1,613 small cooperative group services, mostly of the joint ownership type, and made loans to those who could not get money elsewhere for their share of the cost.

Once organized, farmers in 302 of the groups found they could finance the cost of needed equipment or services without borrowing from FSA. Loans to members needing FSA credit in the other 1,311 groups totaled \$885,201, or an average of a little over \$675 for each service.

Altogether, 17,218 of the informal community services that had been established with FSA assistance were in operation on June 30, making it possible for 197,600 small farmers to share the use of high grade sires and various types of equipment needed for efficient production, such as peanut pickers, tractors, trucks, threshers and manure spreaders, as well as other necessary farm and home equipment. About 11,000 of the group services were providing farm equipment and about 4,000 were providing high grade sires for the improvement of livestock. Of the 197,600 members, 85,674 were FSA borrowers and the others were neighboring family-type farmers.

To make available facilities and services for economical buying and selling, for grading, processing and storage of major farm products and for other needs of farmers operating family-type farms, the Farm Security Administration in 1942-43 also helped to organize 222 cooperative associations* in areas where no facilities existed to serve the needs of FSA borrowers. Included in the cooperative processing facilities were several milk and several vegetable dehydration plants, set up with the cooperation of the Food Distribution Administration.

*Not including cooperative associations established for obtaining health services or water facilities, which are discussed in following sections of this report.

A total of 2,499 cooperative associations,* which had been established with FSA help, were in operation as of June 30, 1943, with a membership of 388,571. This total includes 1,423 purchasing and marketing associations, only a few of which required financing; 196 veterinary associations; 597 agricultural services and facilities including such activities as creameries, canneries, grain and vegetable storage plants, cotton gins, and farm supply houses; 141 associations dealing with land management, 52 of which are land-leasing projects, most of the others being established in connection with the resettlement projects that are being liquidated as explained in a following section of this report. The remaining associations furnish various other types of services.

Many associations needed no financing. Others were financed by direct loans, and, where necessary, loans to FSA borrowers included funds for membership in existing or newly-organized cooperative associations, as well as for the purchase of goods or services offered.

By June 30, a total of \$2,213,660 in principal had fallen due on the \$36,213,614 which had been loaned to cooperative associations, and \$1,777,373 had been repaid on principal, and \$1,112,354 in interest.

In addition to these cooperative activities, the Farm Security Administration has encouraged FSA families to form neighborhood study groups. Hundreds of such groups are now meeting regularly to discuss improved farming and homemaking methods, to make arrangements for trading labor, and to lay plans for meeting food production goals.

Tenure Improvement and Debt Adjustment

The FSA continued to stress tenure arrangements that would permit the full use of land and labor for food production. Working with FSA supervisors, FSA county committees assisted all those requesting such services, whether tenants or owners and whether FSA borrowers or not.

In the case of tenants, the county committees encouraged written leases for the period, at least, of the war. Tenants and landlords were helped to reach definite understandings whereby food production programs could be carried out as planned, space provided for tenants'

*Not including cooperative associations established for obtaining health services or water facilities, which are discussed in following sections of this report.

gardens and feed crops, and minimum needed improvements made. Tenants and landlords were encouraged to work out leases necessary for increased production. Many renters and landlords used a special "war lease". About 85 percent of all Farm Security borrowers who rent farms now have written leases.

For owner-operators in danger of foreclosure, the FSA committees assisted in arranging fair agreements which would enable them to continue farming, either as owners or tenants, and carry out their food production plans.

Closely related to these activities were the services offered by the county committees to farmers with excessive debts. Debtors and creditors were assisted to work out voluntary debt adjustments necessary for the farmers to remain in agriculture. In 1942-43, this assistance was provided to 5,681 farm families, both FSA borrowers and others. Reductions of \$1,544,085 were obtained on debts totaling \$4,358,143, and one of the results was the payment of \$39,638 in back taxes. For all years of the FSA program, reductions of \$109,477,777 have been arranged on debts amounting to \$505,202,861. Altogether, 187,872 farmers have received this type of help from Farm Security.

Medical Care

The Farm Security Administration carried forward its rural health program as an essential part of its work in helping FSA families attain higher food production goals. War conditions had brought into sharp relief the need for adequate medical service. Farm work, though strenuous and hazardous, was falling more and more on those least physically fit—elderly persons, women, older children, and farmers whose efficiency was lowered by physical defects.

At the same time, the war accentuated the maldistribution of physicians and dentists. For many years there have been proportionately fewer physicians and dentists to serve rural people, and when a large number of these left for military service, a serious depletion in many rural counties resulted.

Through medical care plans which the Farm Security Administration has set up with the help of local doctors, more than half a million persons in FSA families were able to get necessary medical care during the year. The member families pay fixed annual fees in advance into a pooled fund from which the group's medical bills are paid. Each family chooses its physician from among those cooperating in the plan.

On June 30, 1943, there were FSA medical care groups active in 1,009 counties in 41 States and Puerto Rico, with a total membership of 90,111 borrower families, or 470,836 persons. All these plans covered general physicians' services and many also covered surgery; in 129 counties, dental care was included, in 531 counties, hospitalization was included. In addition, separate dental plans were operating in 233 counties, and hospital care plans in 139 counties. Altogether, one or more of these three types of service was available to borrowers in 1,120 counties, with a total membership of 101,098 families, or 528,094 persons.

Particular attention was given during the year to encouraging existing group hospitalization plans to include rural people at rates adjusted to the demand for hospital care in rural areas. The Blue Cross Plans have made special provisions for membership of FSA borrowers in North Carolina, New York and Delaware, and negotiations were under way for similar action in Oklahoma and Oregon at the end of the year.

The American Medical Association last fall made a special study of the rural health activities of the FSA, sending questionnaires to the State Medical Societies' secretaries in States where FSA medical care plans were in operation. The results were presented in a report November 21, 1942. "In general," the report noted, "the answers to the question as to the attitude of the profession brought a vote of nearly 4 to 1 on the satisfactory side."

A new undertaking in the field of rural health was begun in the latter months of 1942 by the Department of Agriculture, based on plans developed by the Department's Interbureau Coordinating Committee on Post-War Programs. Asked to supervise the special program for the Department, the FSA helped to establish six county-wide experimental health associations open to all families earning most of their income from agriculture. The counties selected were Cass and Wheeler in Texas, Hamilton in Nebraska, Nevada in Arkansas, Newton in Mississippi, and Walton in Georgia. Financial assistance was extended to the associations, to enable low-income farm families to participate. With more than 8,000 families as members, the new plans have rendered a volume of health services far in excess of that received by rural people in general, indicating that rural health can be greatly improved when farm families find a way of getting medical care within their ability to pay for it.

Another aid to better rural health has been FSA's assistance to low-income farmers in improving sanitary facilities. Many families received small grants for this purpose. Others got loans to

cover the cost. Still others needed no financial assistance, and in many cases landlords contributed to the cost. Altogether, about 87,000 sanitary privies had been built, 53,500 farm houses had been screened, and domestic water supplies had been protected on 34,500 farms in the United States as of June 30, 1943. Although grant funds are no longer available for this purpose, FSA supervisors continue to furnish advice to families who can improve sanitation facilities without financial assistance.

During the year special clinics were conducted for seasonal farm workers through the agricultural workers health associations--nonprofit organizations originally set up to provide medical care for migrant families and financed by FSA. Besides the four associations previously organized in California and Arizona, the Rio Grande Valley, in Texas, Florida, and the Pacific Northwest, a fifth association was established last year on the Atlantic Seaboard for seasonal farm workers at the farm labor supply centers in North Carolina, Virginia, Maryland, New Jersey, New York and Connecticut. These associations were called on to help meet many unusual problems that developed when domestic and foreign workers traveled long distances to harvest war-essential crops. During the year, 64,255 cases received medical services. Of this number, 45,834 received clinic service only, and 18,421 were referred to physicians at their private offices, or to hospitals. The total number of visits to nurses and doctors at the clinics was 184,464. More than 7,500 patients were hospitalized. Dental cases numbered 7,348. In the closing weeks of June, incorporation was completed for two more health associations of the same type in the Midwest and in the Great Plains States--completing coverage of the entire country.

When the transportation of farm labor was assigned to the Office of Labor in the War Food Administration toward the end of the fiscal year, the agricultural workers' health program also was transferred to that agency and employes in FSA's medical office (U. S. Public Health Service officers and others) were designated to assist with the program. The Chief Medical Officer of the FSA also became the medical officer for the new agency.

Water Facilities

Transfer of the technical and administrative aspects of the Department of Agriculture's water facilities program to the Farm Security Administration at the beginning of the 1942-43 fiscal year placed nearly all the responsibility for the work in the FSA,

for the first time. The loan phases of the work had been carried out by the FSA since 1938. Area planning is done by the Conservation Programs Branch of the War Food Administration.

During the past year 1,407 loans were made to individual farmers and ranchers and 25 loans were made to groups in the 17 Western States for building or repairing facilities for irrigation and for water for farm and home needs. The total amount approved in loans was \$797,053. Grants made to families to enable them to obtain urgently needed water supplies amounted to \$2,398.

In the five years since the program was started, loans have been made to 5,829 individuals and 69 associations. Altogether, 12,511 facilities have been completed or are under construction, including ponds, reservoirs, wells, conduits, diversion dams, pumping installations, windmills, spring developments, water spreaders, stock water tanks, facilities for flood irrigation, facilities for recharging underground reservoirs, and irrigation distribution systems. The farms on which these facilities were established covered more than 3,693,000 acres, of which 146,125 acres have been benefited by irrigation developments.

On June 30, 1943 loans for water facilities totaled \$2,808,288, and an additional \$687,304 had been obligated and was being held in the Treasury pending applicants' compliance with loan approval conditions.

The loans are made for periods up to 20 years, at 3 percent interest. As of June 30, 1943, a total of \$3,495,592 in loans had been approved and \$2,808,288 of this amount had been advanced to borrowers. Of the \$762,387 which had matured on the loans, \$748,928, or 98.2 percent, had been paid. In addition, \$59,167 had been paid in interest.

Water Conservation and Utilization Program

Development of the Western water conservation and utilization projects according to long-time plans authorized by Congress has been hindered because of the war, but nevertheless considerable food production increases have been achieved on the acreages where land development activity was possible in 1942-43.

The Farm Security Administration, administratively responsible for the Department of Agriculture's part in the program, is in charge

of land acquisition, land development, and settlement of low-income farm families on family-type units of these projects, also known as the Wheeler-Case projects. The Bureau of Reclamation of the Department of the Interior is responsible for building irrigation facilities. However, complete development of farm units and settlement of families has been deferred until such time as materials and labor are available and there is a need to provide farms for men released from the armed services and the war industries.

Of the 12 projects approved in past years, work had been begun on eight, but because of wartime shortage of labor, scarcity of materials, and the loan of a large amount of heavy equipment to the Army, practically all construction work was stopped in 1942. In the latter part of the 1942-43 fiscal year, the War Production Board authorized immediate completion of the two largest projects--Buffalo Rapids in Montana and Buford-Trenton in North Dakota. On June 24, 1943, the President approved the thirteenth project--the Scofield Dam in Utah--and it was authorized for immediate completion.

Some development work is in progress at Mirage Flats, Nebraska, and Angostura, South Dakota, under dry farming, but the building of irrigation systems is postponed. As much land as can be kept in agricultural production under present conditions is being farmed on all approved projects.

Completion of the 13 approved projects would provide irrigated farms for about 1,400 families and also contribute to the rehabilitation of many others living on adjoining lands. About 19,000 acres of new land have been developed, 12,000 of which were irrigated and planted in crops in the 1943 season, and the remainder farmed as dry land.

Farm Security's immediate goal in this program during the past year has been to get the maximum acreage into irrigated production with the expenditure of a minimum of labor and critical supplies. Use of the land development equipment still available was concentrated in those places where irrigation water was available and where preparation of the land meant immediate increases in essential crops. The Buffalo Rapids land had approximately 9,400 acres in war crops last year and produced approximately 80 percent of Montana's total increased flax quota, in addition to 12,000 tons of sugar beets, 1,000 tons of beans, and large amounts of potatoes and feed crops.

In recent months, labor from Civilian Public Service camps was assigned to three of the projects. Until the liquidation of the

Work Projects Administration and the Civilian Conservation Corps, these agencies had furnished construction workers.

During the year more than 100 proposals for additional projects were investigated. Twenty-seven were recommended for immediate construction because they would result in quick increases in food production. Reports have been prepared on many of the others with recommendations for post-war development.

Liquidation of Resettlement Projects

Considerable progress was made during the year in liquidating the 152 resettlement projects which remained under FSA management after all nonfarm projects had been transferred to the Federal Public Housing Authority in accordance with Executive Order issued in February, 1942.

Of the 9,223 units in the farm projects, 4,647 had been sold by June 30, 1943. Nearly all of these were purchased by the families already living on them.

In accordance with Congressional wishes for speeding up the liquidation of the projects and in line with the purposes for which the projects were started and the funds allocated, the Farm Security Administration generally followed the procedure already used for farm purchase loans made under the Bankhead-Jones Farm Tenant Act of 1937. Sale prices were based on appraisals of the earning capacity of the farm, and purchase payments were spread over a period up to 40 years at three percent interest. Purchasers received a deed to the property and the government held a note secured by a mortgage for the unpaid balance. In some cases, units were being reorganized and enlarged to full family-farm size. Preference was given to qualified residents on the farm projects.

All farms on 19 projects had been sold to the residents by June 30. Sixteen had been or were being sold at public sales as surplus land; some of these had never been developed, while others consisted of a small number of units not suitable for economical operation as family-type farms. Eight additional projects had been transferred to other Federal agencies, or were in the process of transfer as the year ended, and one had been leased to the War Relocation Authority for a Japanese Relocation Center. Of the 108 projects not completely sold, 20 had less than 10 units remaining unsold.

Liquidation of most of the cooperative farming associations has been initiated, and in most cases plans made to subdivide the property for sales to individuals at the end of the crop season. Because of the necessity for continuing crop production without interruption, actual subdivision, in most cases, was postponed until the winter months. On a few projects where subdivision of cooperatively operated farms was not practicable, negotiations had been started to sell the property to the existing associations.

Records of many families living on project farms showed unusually heavy increases in food production in 1942. These farms were already equipped with essential production tools, and for several years the families had been following a planned system of crop rotation to build up the soil, and had gained experience in operating the farms on which they lived. In addition, they were members of a closely-knit community and in most instances had grown accustomed to sharing machinery, working together and exchanging labor. An example of the food increases many of them achieved is to be found in the records of 66 families at Kinsey Flats, Montana, who in 1942 raised an average of 3,914 pounds of pork each--a 207 percent increase over the previous year--and 2,802 pounds of beef. Seventy-seven residents of Scioto Farms, Ohio, produced, per family, 6,432 pounds of pork, 932 pounds of beef, 3,422 gallons of milk, 649 dozen eggs, and 454 pounds of chicken, the gains over 1941 yields ranging from 15 to 38 percent. Briar Patch, Georgia, families increased milk output from their cows from 1,581 gallons per family in 1941 to 3,963 in 1942.

Farm Labor

Because of its earlier experience in providing shelter for migrant agricultural workers, the Farm Security Administration was asked to assume extra responsibilities during 1942-43 to help alleviate the farm labor shortages which became apparent in many heavy producing areas the summer of 1942. On May 1, farm labor activities assigned to this agency were transferred to another agency in the War Food Administration which was set up to administer this program.

Between September, 1942, and May 1, 1943, the FSA transported about 8,000 farm workers from areas of labor surplus in this country, 12,800 workers from Mexico, and 1,185 from the Bahamas to areas in various States where it was essential to bring in

seasonal labor to save war-vital crops. Between November, 1942, and May 1, 1943, the FSA also transported more than 5,000 workers from submarginal areas of agricultural underemployment to areas where year-round farm workers, such as dairy hands, were urgently needed. Some of these year-round workers received short training courses at state colleges and similar institutions, through arrangements made by the United States Office of Education, before going to their new jobs.

Both the seasonal and year-round labor programs were financed from the President's Emergency Fund until the passage of Public Law 45, which provided an appropriation for providing farm labor beginning May 1, 1943.

With the establishment of the Office of Labor in the War Food Administration, the 46 permanent farm labor supply centers and the 49 mobile labor camps managed by the FSA were transferred to the new agency on a loan basis, but remained on FSA inventory.

Dairy Animal Conservation

To prevent the slaughter of good dairy animals, the Farm Security Administration, during the latter half of the fiscal year, was directed by the Secretary of Agriculture to use funds of the Commodity Credit Corporation to purchase, for resale, 34,000 cows, heifers and heifer calves which otherwise would have been sold for meat. The animals were resold to farmers who had sufficient feed, labor and facilities to handle them. Toward the end of the year, a survey was being made to determine whether there would be further need for the program.